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**Six Technology Shifts
Reshaping Small UK Businesses
in 2026**

A practical guide for proactive business owners

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Introduction

The biggest technology story for small UK businesses in 2026 is not a single trend but a convergence: agentic AI is arriving inside the tools businesses already use, Making Tax Digital for Income Tax launches in April, and AI-powered cyber threats are escalating — all while a government-backed push to close the AI skills gap gains momentum.

For proactive small business owners, 2026 is the year technology stops being optional and becomes the operating system of a well-run firm. The businesses that invest time now in understanding these shifts — and work with advisors who are doing the same — will gain a meaningful competitive edge.

This report sets out the six shifts that matter most, what they mean in practice, and the actions worth taking now.

1. AI agents are moving from hype to your accounting software

The most consequential technology development for small businesses in 2026 is agentic AI — AI systems that don't just answer questions but autonomously plan, execute, and adapt multi-step workflows. Unlike ChatGPT, which waits for a prompt and gives a response, an AI agent can observe your bank feed, reconcile transactions, categorise expenses, chase late invoices, and flag anomalies — simultaneously and with minimal human input.

Every major accounting platform has moved aggressively into this space. **Xero launched JAX (Just Ask Xero)** in September 2025, an AI financial superagent built with OpenAI that reconciles bank transactions, drafts invoices, answers natural-language financial queries, and combines your data with external intelligence like market trends and tax law changes. Users report cutting reconciliation time by 60–80% after the first month.

Intuit rolled out a virtual team of AI agents for UK QuickBooks users in November 2025, including an Accounting Agent that proactively identifies anomalies — spotting a large purchase that looks like an asset, requesting the invoice, and automatically creating the depreciation schedule. **Over 2 million customers are already engaging with Intuit's AI agents**, with repeat engagement above 80%.

Dext, a mainstay of UK accounting practices, launched its AI Agent Beta in January 2026 with capabilities including automated mailbox document pulling, next-generation supplier rule learning, and “zero-touch” bookkeeping through Dext Autopilot — where documents processed above a set confidence threshold are published without human review.

Sage unveiled a network of AI agents at Sage Future 2025, including a Close Agent for month-end workflows, an AP Agent for touchless accounts payable, and critically, **the UK's first MTD for Income Tax AI Agent**, which automates quarterly update setup, document chasing, and HMRC submission.

The adoption numbers are striking. A Xero/Cebr study of 515 UK accountants and bookkeepers found **98% of practices were using AI in some form**, with 47% using it at least weekly for an average of nearly three hours per day. The Wolters Kluwer Future Ready Accountant report found global AI

adoption in accounting firms leapt from 9% in 2024 to 41% in 2025. Yet the headline statistics mask a gap: the ONS reported only 9% of all UK firms had adopted AI by 2023, and micro businesses remain 45% less likely to adopt than large ones.

The practical implication for small business owners is clear. Agentic AI is not a separate product to buy — it is being embedded into the Xero, QuickBooks, Sage, and Dext subscriptions many already pay for. The businesses that benefit most will be those who actively engage with these features and work with accountants who are doing the same, rather than waiting for the technology to wash over them.

2. Making Tax Digital for Income Tax arrives — ready or not

MTD for Income Tax Self Assessment launches on 6 April 2026, representing the biggest change to UK income tax compliance in over 30 years. HMRC confirmed in February 2026 that 864,000 sole traders and landlords with combined gross self-employment and property income above £50,000 (based on their 2024/25 tax year) must comply from day one. The threshold drops to £30,000 from April 2027 and £20,000 from April 2028 — ultimately bringing nearly two million taxpayers into the regime.

The practical change is significant. Affected businesses must maintain digital records in MTD-compatible software and submit **four quarterly updates to HMRC** (the first due 7 August 2026), plus a Final Declaration replacing the traditional Self Assessment return. Records must flow through an unbroken digital chain — copy-and-paste between spreadsheets is not compliant.

In a welcome concession, the Autumn Budget 2025 announced a “soft landing” where no penalty points will be issued for late quarterly updates during the first 12 months.

The technology landscape is well-developed. Xero, QuickBooks, Sage, and FreeAgent are all HMRC-recognised for MTD ITSA, with free options available including QuickFile, Clear Books’ free plan, and Zoho Books for businesses under £35,000 revenue. FreeAgent remains free for NatWest, RBS, and Mettle customers. Software costs are tax-deductible and start from around £14–18 per month for paid platforms.

However, readiness is a concern. As of early 2026, **only around 5,000 taxpayers had signed up** against a target population exceeding 800,000. HMRC began writing directly to affected taxpayers in February 2026. In a significant separate development, HMRC scrapped MTD for Corporation Tax entirely in July 2025, citing the complexity of the Corporation Tax population. Limited companies will not face MTD requirements.

For small business owners in scope, the immediate action list is straightforward: check whether combined gross self-employment and property income exceeded £50,000 in 2024/25, choose MTD-compatible software, connect bank feeds, sign up on GOV.UK before April, and — crucially — talk to an accountant about how quarterly reporting will work in practice.

3. The AI skills gap is real, but the training infrastructure is arriving

Only **21% of UK workers feel confident using AI at work**, according to January 2026 government research. Among accountants, 71% say they want to upgrade their AI skills, but fewer than 23% receive AI-related training from their employer. The gap is most acute among small and micro businesses, which are 45% less likely to have adopted AI than large firms. Among sole traders, 42% have no plans to adopt AI at all.

The UK government has responded with the **AI Skills Boost Programme**, launched in June 2025 and expanded in January 2026. Described as the largest targeted training programme since the Open University, it aims to upskill 10 million workers by 2030, with a specific target of at least 2 million SME employees. Over one million courses have already been completed through the free AI Skills Hub, with modules taking as little as 20 minutes.

Professional bodies have moved quickly. ICAEW launched a GenAI Accelerator Programme covering eight e-learning courses spanning prompt engineering, tool-specific walkthroughs of ChatGPT, Copilot, Gemini, and Perplexity, and practice-specific guidance across tax, audit, and advisory. A January 2026 partnership with Microsoft added Copilot integration training. ACCA published its AI Monitor report identifying four key shifts in accountancy work, and Innovate UK's BridgeAI programme offers SME grants of £25,000–£50,000 for scoped AI pilot projects, alongside cloud credits and accelerator access.

The skills that matter most for small business owners are practical: understanding how to interact effectively with AI tools (prompt engineering), evaluating AI outputs with appropriate scepticism, using AI features embedded in existing software like Microsoft 365 and cloud accounting platforms, and establishing clear policies for what data employees can share with AI services. The most effective approach starts with free, short-form learning, builds from tools already in use, and progresses incrementally.

4. Cybersecurity threats are escalating — and AI is the accelerant

The UK Government's Cyber Security Breaches Survey 2025 found **43% of UK businesses experienced a breach or attack** in the prior 12 months, equating to roughly 612,000 businesses. Phishing remains dominant, cited in 85% of identified breaches. Ransomware doubled year-on-year and the NCSC managed 20 significant ransomware incidents in 2024, with 88% of ransomware attacks targeting small businesses. The financial toll is severe: UK SMEs collectively lose an estimated £3.4 billion annually to inadequate cybersecurity, and 67% of small businesses that experience a cyber attack report financial difficulties within six months.

AI is dramatically amplifying both the sophistication and volume of attacks. The World Economic Forum's Global Cybersecurity Outlook 2026 found 87% of organisations identified AI-related vulnerabilities as the fastest-growing cyber risk. Some 67% of all phishing attacks now utilise some form of AI, producing grammatically flawless, highly localised messages that are increasingly indistinguishable from legitimate communications.

For businesses using AI tools themselves, the risks include data leakage — employees inadvertently sharing sensitive financial data with AI chatbots — and “shadow AI,” where applications interact with business data through third-party models without oversight. A Dext study of 500 UK accountants found **50% knew businesses that suffered direct financial losses** from relying on ChatGPT-style tax and financial advice, including overpayments, missed allowances, and HMRC penalties.

The regulatory environment is tightening. The Cyber Security and Resilience Bill, introduced in November 2025, introduces potential fines of £100,000 per day for failing to act on threats and mandatory 24-hour incident reporting. Cyber Essentials version 3.3, effective 27 April 2026, makes **multi-factor authentication mandatory** wherever a cloud service offers it — failure means automatic certification failure. Currently only 27–34% of UK SMEs use MFA, meaning most need to act before April.

Practical priorities for small businesses are straightforward but urgent: enable MFA on all cloud services immediately, provide staff training on AI-generated phishing and deepfakes, apply security patches within 14 days, maintain offline backups, and establish an incident response plan (only 23% of businesses currently have one). The NCSC’s free Cyber Action Toolkit, launched October 2025, provides a personalised, step-by-step pathway designed specifically for sole traders and micro businesses.

5. Three more trends worth watching

Value-based pricing is transforming what you pay your accountant

As AI automates tasks that once took hours, hourly billing increasingly penalises efficiency — a tax return that took six hours now takes two, but the value to the client is identical. UK accounting firms are shifting toward tiered packaging: a compliance tier covering bookkeeping and tax returns at fixed fees, a proactive tier adding financial analysis and budgeting, and an advisory tier delivering strategic planning, fractional CFO services, and proactive tax planning. The advisory segment already accounts for **45.1% of UK accountancy revenues**. For small business owners, this means choosing an accountant is increasingly about the quality of strategic advice rather than the cost per hour.

Open banking is quietly becoming essential plumbing

The UK reached **16.5 million open banking user connections** by December 2025, a 36% year-on-year increase. Open banking payments grew 53%, now accounting for 1 in 13 transactions via Faster Payments. Variable Recurring Payments — a flexible alternative to direct debits — launched commercially in early 2026. For small businesses, open banking eliminates card processing fees on account-to-account transfers, enables real-time cash flow visibility, and powers automated payment reconciliation within accounting software. Nearly half of SMEs using open banking report reduced costs, and 70% have improved late payment management.

E-invoicing is coming, with time to prepare

The UK government confirmed at Budget 2025 that **mandatory e-invoicing for all VAT invoices will begin from April 2029**, adopting the Peppol network standard. A detailed implementation roadmap will be published at Budget 2026, with large businesses likely mandated first and SMEs phased in later. While the deadline feels distant, businesses trading with EU partners may face earlier requirements under existing French, Italian, and German mandates.

Conclusion

The thread connecting every trend in this report is the collapse of distance between data and decision. Agentic AI turns raw transactions into categorised, reconciled, insight-rich financial records without human initiation. MTD forces quarterly digital reporting that, when paired with AI-enabled software, transforms compliance from an annual burden into a continuous real-time view of business health. Open banking pipes live cash flow data directly into these systems. Value-based advisory pricing aligns accountant incentives with the strategic interpretation of all this data.

The most important insight for small UK business owners is that **the cost of inaction is rising faster than the cost of adoption**. Free AI training is available through the government's Skills Hub. MTD-compatible software starts at zero cost. Cyber Essentials certification provides a structured security baseline. The businesses that thrive in 2026 will not be those with the biggest technology budgets, but those that engage earliest with tools already embedded in the platforms they use — and that choose advisors who are doing the same.

Start with what you already have. Build confidence incrementally. Maintain healthy scepticism about AI outputs. The technology is ready. The question is whether the business owner is.

Want to discuss how these shifts affect your business?

Book a discovery call at calendly.com/noelguilford

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